

*Status: Point in time view as at 06/04/2005.*

*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 1997. (See end of Document for details)*

## SCHEDULES

### SCHEDULE 4

#### TAX CREDITS, TAXATION OF DISTRIBUTIONS ETC

##### Modifications etc. (not altering text)

**C1** [Sch. 4](#) applied (with modifications) ( temp. from 6.4.1999 to 6.4.2004) by [S.I. 1998/1871](#), [reg. 4](#)

#### PART I

#### GENERAL

#### THE TAXES ACT 1988

##### *Section 231*

**F14** .....

##### Textual Amendments

**F1** [Sch. 4 para. 4](#) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

##### *Section 232*

**F25** .....

##### Textual Amendments

**F2** [Sch. 4 para. 5](#) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

##### *Section 233*

**F36** .....

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**Textual Amendments**

**F3** Sch. 4 para. 6 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

*Sections 235 to 237*

- 7 (1) Sections 235 to 237 of the Taxes Act 1988 (distributions of exempt funds and bonus issues) shall cease to have effect.
- (2) This paragraph has effect in relation to distributions made on or after 6th April 1999.

*Section 238<sup>F4F4</sup>*

**Textual Amendments**

**F4** Sch. 4 para. 8 repealed (31.7.1998 with effect as mentioned in Sch. 27 Pt. III(2) Note of the amending Act) by [1998 c. 36](#), ss. 31, 165, [Sch. 3 para. 45](#), [Sch. 27 Pt. III\(2\)](#) Note

8 .....

*Section 241<sup>F5F5</sup>*

**Textual Amendments**

**F5** Sch. 4 para. 9 repealed (31.7.1998 with effect as mentioned in Sch. 27 Pt. III(2) Note of the amending Act) by [1998 c. 36](#), ss. 31, 165, [Sch. 3 para. 46](#), [Sch. 27 Pt. III\(2\)](#) Note

9 .....

*Section 249*

<sup>F6</sup>10 .....

**Textual Amendments**

**F6** Sch. 4 para. 10 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

*Section 421*

- 11 (1) In section 421 of the Taxes Act 1988 (taxation of borrower when loan under s.419 released etc) in subsection (1)—
  - (a) in paragraphs (a) and (b), for the words “lower rate”, in both places where they occur, there shall be substituted “ Schedule F ordinary rate ”; <sup>F7</sup>...
  - <sup>F7</sup>(b) .....
- (2) This paragraph has effect in relation to the release or writing off of the whole or part of a debt on or after 6th April 1999.

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**Textual Amendments**

**F7** Sch. 4 para. 11(1)(b) and preceding word repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

*Section 469*

- 12 (1) Section 469 of the Taxes Act 1988 (unit trusts other than authorised unit trusts) shall be amended as follows.
- (2) In subsection (2) (income of the trustees to which section 1A applies to be chargeable at the basic rate instead of the lower rate) for “lower rate” there shall be substituted “rate applicable in accordance with subsection (1A) of that section”.
- (3) After subsection (2) there shall be inserted—
- “(2A) Section 231(1) shall not apply where the recipient of the distribution there mentioned is the trustees of the scheme.
- (2B) Section 233(1) shall not apply where the person there mentioned is the trustees of the scheme.”
- (4) In subsection (9) (sections 686 and 687 not to apply) after “686” there shall be inserted “, 686A”.
- (5) This paragraph has effect in relation to distributions made on or after 6th April 1999.

*Section 549*

**F8**13 .....

**Textual Amendments**

**F8** Sch. 4 para. 13 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

*Section 660C*

**F9**14 .....

**Textual Amendments**

**F9** Sch. 4 para. 14 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

*Section 687*

- 15 (1) In section 687 of the Taxes Act 1988 (payments under discretionary trusts) subsection (3) (amounts which may be set against the amount assessable on trustees) shall be amended as follows.
- (2) For paragraphs (a) and (aa) there shall be substituted—

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- “(a) the amount of any tax on income arising to the trustees which (not being income the tax on which falls within paragraphs (a1) to (bc) below) is charged in pursuance of section 686 at the rate applicable to trusts or the Schedule F trust rate;
  - (a1) the amount of tax at a rate equal to the difference between the Schedule F ordinary rate and the Schedule F trust rate on any income of the trustees chargeable under Schedule F;
  - (a2) the amount of tax which, by virtue of section 233(1A), is charged, at a rate equal to the difference between the Schedule F ordinary rate and the Schedule F trust rate, on the amount or value of the whole or any part of any qualifying distribution included in the income arising to the trustees;
  - (aa) the amount of tax which, by virtue of section 233(1B), is charged, at a rate equal to the difference between the Schedule F ordinary rate and the Schedule F trust rate, on the amount or value of the whole or any part of any non-qualifying distribution included in the income arising to the trustees;”
- (3) For paragraph (b) there shall be substituted—
- “(b) the amount of tax at a rate equal to the difference between the Schedule F ordinary rate and the Schedule F trust rate on any sum treated, under section 249(6), as income of the trustees;”
- (4) After paragraph (b) there shall be inserted—
- “(bb) the amount of tax at a rate equal to the difference between the Schedule F ordinary rate and the Schedule F trust rate on any sum treated under section 421(1)(a) as income of the trustees;
  - (bc) the amount of tax at a rate equal to the difference between the Schedule F ordinary rate and the Schedule F trust rate on any sum treated under section 686A as income of the trustees;”
- (5) This paragraph has effect for the year 1999-00 and subsequent years of assessment.

#### *Section 689B*

- 16 (1) Section 689B of the Taxes Act 1988 (order in which expenses of trustees are to be set against income) shall be amended as follows.
- (2) In subsection (1)—
- (a) in paragraph (a) (set against income within subsection (2) or (3) before other income) after “subsection (2)” there shall be inserted “, (2A) ”;
  - (b) in paragraph (b) (set against income within subsection (2) before subsection (3)) after “subsection (2)” there shall be inserted “ or (2A) ”; and
  - (c) at the end of paragraph (b) there shall be added “and
    - (c) as set against so much (if any) of any income as is income falling within subsection (2) below before being set against income falling within subsection (2A) below”.

<sup>F10</sup>(3) .....

- (4) After subsection (2) there shall be inserted—

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“(2A) Income falls within this subsection if it is income to which section 1A applies by virtue of its being equivalent foreign income falling within subsection (3) (b) of that section and chargeable under Case V of Schedule D.”

(5) In subsection (3) (income to which section 1A applies but which does not fall within subsection (2) of s.689B) after “subsection (2)” there shall be inserted “ or (2A) ”.

(6) This paragraph has effect for the year 1999-00 and subsequent years of assessment.

**Textual Amendments**

**F10** Sch. 4 para. 16(3) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

*Section 699*

<sup>F11</sup>17 .....

**Textual Amendments**

**F11** Sch. 4 para. 17 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

*Section 703<sup>F12F12</sup>*

**Textual Amendments**

**F12** Sch. 4 para. 18 repealed (31.7.1998 with effect as mentioned in Sch. 27 Pt. III(2) Note of the amending Act) by [1998 c. 36](#), ss. 31, 165, [Sch. 3 para. 47](#), [Sch. 27 Pt. III\(2\)](#) Note

18 .....

*Section 709*

19 (1) In section 709 of the Taxes Act 1988 (meaning of tax advantage etc) in subsection (2A) (references to a relief and to repayment of tax to include references to a tax credit and payment of any amount in respect of a tax credit) the words “and to a repayment of tax”, “respectively” and “and to a payment of any amount in respect of a tax credit” shall be omitted.

(2) This paragraph has effect for the year 1999-00 and subsequent years of assessment.

*Section 743*

20 (1) Section 743 of the Taxes Act 1988 (provisions supplemental to section 739 etc) shall be amended as follows.

(2) In subsection (1) (subject to an exception for income which has borne tax by deduction at the basic rate or the lower rate, income chargeable under s.739 to be charged under Case VI of Schedule D)—

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- (a) for “or the lower rate” there shall be substituted “, the lower rate or the Schedule F ordinary rate”; and
- <sup>F13</sup>(b) .....
- (3) After subsection (1) there shall be inserted—
- “(1A) Income falls within this subsection if it is—
- (a) income chargeable under Schedule F;
  - (b) income to which section 1A applies by virtue of its being equivalent foreign income falling within subsection (3)(b) of that section and chargeable under Case V of Schedule D;
  - (c) a distribution in relation to which section 233(1) applies;
  - (d) a qualifying distribution whose amount or value is determined in accordance with section 233(1A);
  - (e) a non-qualifying distribution, within the meaning of section 233(1B);
  - (f) income treated as arising by virtue of section 249;
  - (g) income treated as received by virtue of section 421(1)(a).”
- (4) This paragraph has effect for the year 1999-00 and subsequent years of assessment.

**Textual Amendments**

**F13** Sch. 4 para. 20(2)(b) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 3](#) (with [Sch. 2](#))

*Section 819*

- 21 (1) In section 819 of the Taxes Act 1988 (old references to standard rate tax) in subsection (2)—
- (a) after “(so far as applicable in accordance with section 1A) the lower rate” there shall be inserted “ or the Schedule F ordinary rate ”; and
  - (b) for “any higher rate” there shall be substituted “ the higher rate and the Schedule F upper rate ”.
- (2) This paragraph has effect for the year 1999-00 and subsequent years of assessment.

*Section 832*

- 22 (1) In section 832 of the Taxes Act 1988 (interpretation of the Tax Acts) the following definitions shall be inserted in subsection (1) at the appropriate places—
- ““the Schedule F ordinary rate” shall be construed in accordance with section 1B(2);”;
  - “(b) “the Schedule F trust rate” shall be construed in accordance with section 686(1A);”;
  - “(c) “the Schedule F upper rate” shall be construed in accordance with section 1B(2);”.
- (2) This paragraph has effect for the year 1999-00 and subsequent years of assessment.

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*Schedule 13<sup>F14F14</sup>*

**Textual Amendments**

**F14** Sch. 4 para. 23 repealed (31.7.1998 with effect as mentioned in Sch. 27 Pt. III(2) Note of the amending Act) by 1998 c. 36, ss. 31, 165, Sch. 3 para. 48, **Sch. 27 Pt. III(2)** Note

23 .....

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